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Microenterprise



Growing Businesses, Assets and Markets

Options for Investors in Microfinance

Arthur Hollingsworth, managing partner of Lone Star New Markets LP, and Shari Berenbach, executive director of the Calvert Foundation, told Dallas Fed conference participants how their organizations invest in emerging domestic markets.

A For-Profit Model

Hollingsworth is founder and partner of three private equity funds with community development goals: Lewis Hollingsworth LP, North Texas Opportunity Fund and Lone Star New Markets LP. The first fund invested more than \$40 million in 20 companies that generated \$124 million in investment profits, mostly in low- and moderate-income areas in Texas, from 1987 to November 2005.



The North Texas Opportunity Fund, established in 2000, focuses on southern Dallas. This \$26 million investment fund's strategy, Hollingsworth says, is to "provide economic development and quality job creation in underserved areas while generating attractive invest-

ment returns for the Fund's investors. [We] invest in companies willing to expand and/or relocate operations to underserved North Texas markets. . . and . . . invest in companies owned or managed by ethnic minorities and women." From 2000 to November 2005, the North Texas Opportunity Fund generated an 11 percent plus return for its investors, while facilitating the creation of almost 2,000 jobs in the economically challenged area of South Dallas. Among its investments is PrimeSource, one of the most prominent African-American woman-owned companies. In total, the fund's five investments report \$150 million in sales and 6,000 employees.

Lone Star New Markets is currently in formation. Its goal is to raise \$40 million and make \$1 million to \$10 million equity investments in Texas. Lone Star New Markets is the only Texas entity to have won a New Markets Tax Credit allocation that will be invested in Texas companies. Investors in the fund will receive \$10 million in tax credits.

Hollingsworth explains his and his partners' interest in small businesses (those reporting sales of \$10 million to \$50 million) by noting that 75 percent of all U.S. companies have sales in this range, but private-equity investors direct only 2 percent of their capital to them. This capital imbalance presents a significant investment opportunity.

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